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AUTHOR Morduchowicz, Alejandro
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ABSTRACT

The importance of private schools in Argentina is in contrast with the little attention they have been given in research on the country's education system. This paper has two aims: (1) to provide a brief summary of the outstanding milestones of educational privatization in Argentina; and (2) to review some of the most significant features of the demand and supply of private education. First, a quantitative description of the private-education sector and the relevant policies over the last 50 years is given. Second, the two issues that concern the state and private schools at a local level--public funding of private establishments and the functional regulations--are analyzed. Finally, the private-education sector is analyzed using the four criteria of freedom of choice, efficiency, equity, and social cohesion. This study shows that after a little more than half a century since its initiation, the state subsidy system for the private-education sector seems to have proved quite effective in terms of the growing participation of private schools in supplying education. Challenges still exist for the state and local private educational sector to resolve in achieving equal educational access, and equity and efficiency in resource allocation. (Contains 11 references, 4 tables, and 1 figure.) (RT)

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Private Education: Funding and (De)regulation in Argentina

Alejandro Morduchowicz

April 2001

Abstract – This paper on the education system in Argentina has two aims: (a) to provide a brief summary of the most outstanding milestones of educational privatization; and (b) to review some of the most significant features of the demand and supply of private education. First, we give a quantitative description of the private education sector and the relevant policies over the previous last fifty years. Second, we analyze the two instruments that relate the State and private schools at a local level: public funding of private establishments, and the functional regulations. Finally, we evaluate the sector using four criteria of freedom of choice, efficiency, equity, and social cohesion.

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* Alejandro Morduchowicz is at IIPE-UNESCO Buenos Aires, Argentina. Contact email: amordu@elsitio.net

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NCSPE
Box 181
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525 W. 120th Street
New York, NY 10027

(212) 678-3259 (telephone)
(212) 678-3474 (fax)
ncspe@columbia.edu
www.tc.columbia.edu/ncspe

1. INTRODUCTION[1]

The importance of private schools in Argentina is in contrast with the little space they have been given in research on the country's education system. The sector has grown in size over the last several decades, along with a number of educational policies that preceded and accompanied its expansion.

However, the absence of research is not surprising if we take into consideration the confusion regarding the meaning of 'privatization' when applied to the educational sector. For instance, the reformation process of the last decade was catalogued as privatization; yet this was paradoxically a period when the government – after decades of relative inertness – regained a strong presence and an active role in the formulation and implementation of structural educational policies.

Beyond this criticism, if there has actually been a tendency toward privatization in education in Argentina, this would be due to a process that began half a century ago and it would have very little to do with the recent educational reform. Privatization in Argentina cannot be framed within the *traditional* ways in which the phenomenon has been discussed: there are no subsidies for demand (such as vouchers); for-profit corporations have not been hired to take over the supply of services; and the institutions that are most similar to charter schools are only few in number, with no assets having been sold or transferred to the private sector.

Instead, I think that the phenomenon would be closer to what it is called 'spontaneous privatization' (Vedder, 1996), i.e. where there are changes in preferences by those demanding education. Nevertheless, as we shall see, this in itself has not been a clear and pure process; it is possible that changes in preferences were induced or at least made easier. Rather, as with other aspects of its society and economy, Argentina has followed a hybrid path of educational privatization. This path might be better characterized as 'quasi-spontaneous', i.e., a result of

[1] This paper is based on Morduchowicz, A. (coord.), Marcón, A., Iglesias, G., Andrada, M., Perez, J., Campán, V. y Duro, L.: *La educación privada en la Argentina: Historia, Regulaciones y Asignación de Recursos Públicos.* Buenos Aires, 1999.

compound pressures of demand and of deregulation and financing policies which favored private provision.

In this paper, the two objectives are: (a) to summarize the most outstanding milestones of this privatization process; and (b) to review some of the most significant features of private education supply and demand in Argentina. The paper is divided in three sections. The first describes the private sector in quantitative terms and provides a brief description of the policies that have benefited the sector over the last fifty years. The second part analyzes the two instruments that relate the State and private schools at a local level: public funding of private establishments and their functional regulations. Finally, the third section considers the sector based on dimensions proposed by Levin (2000); these are equity, efficiency, freedom of choice and social cohesion. Overall, these dimensions allow for an analysis of the impact of non-government supply.

2. GENERAL FEATURES AND EVOLUTION OF EDUCATION

2.1 Current Provision

Enrollments

In Argentina, one out of four students attends a non-university private school. Nearly half of these students go to primary school, one third to secondary school, and the rest attend at pre-primary or at higher levels. The distribution of these private school students is not uniform across the provinces. The most developed provinces represent 80% of the country's total private enrollment; and, among these provinces, the city of Buenos Aires has the highest percentage of students attending private establishments (50%); followed by Cordoba and the province of Buenos Aires and Santa Fe, with 30% each. In terms of schools, the distribution among provinces is also diverse: 73% of the schools in the city of Buenos Aires are private, whereas in the province of Formosa, only 10% are private.

Unpublished. I am indebted to Myrian Andrada, Gustavo Iglesias and Atilio Marcón for many helpful conversations.

[INSERT TABLE 1 HERE]

At higher educational levels, there is a stronger tendency to private education; the highest private enrollment rates are in higher education, followed by the secondary level, and then the primary level. The exception is the percentage of pre-primary enrollments; this rate is between the secondary and higher level and this is due to a great extent to the shortage of state supply at the pre-primary level. As well, across the education system, more than half (57.1%) of private school students attend Catholic institutions (no information about other religions is available). These figures are summarized in Table 1.

Financing of Private Education

Of the 2.36 million students in the private sector, 26.5% attend establishments that receive no state subsidy, 44.6% attend establishments that receive subsidies for part of the salary payroll, and the remainder attend partially State-financed schools. Participation in part-subsidized private establishments declines as we go further up the level of education: the highest percentage of students attending partially or fully subsidized schools is at the primary and pre-school level (75%), followed by the secondary level (70.6%), and the higher level (64%). The subsidies represent approximately 13% of the education budgets of the provinces; and of that amount, 85% is allocated to primary and secondary level establishments. On average, these subventions represent 40% of the resources utilized by privately-managed schools: the rest is composed of payments made by families. (This is an average, however; it is important to note that more than a quarter of the enrollment share is at schools with no subvention, and 30% receive partial subsidies for salaries).

Of the total amount of the private sector's resources at the primary and middle level, almost 60% is destined to salaries, with 25% to maintenance and functioning expenses, such as electricity, gas, repairs, cleaning goods and equipment, etc. The remaining percentage goes as profits to the owners. This percentage breakdown reflects the different capacity to finance material resources that the private schools have compared to their State peers. Expenditures per student in the state sector

across the whole country are less than the resources deployed by the private sector, both at the primary and secondary level. In privately-managed primary schools, 16% more provisions per student are obtained than in the state sector; at the secondary level, the respective figure is 18%.

2.2 The Expansion of Private Education

Over the last fifty years, private education, across the different modalities and levels of the education system, has expanded significantly across Argentina. The key elements explaining this growth were: the approval of qualifying certificates for private teaching; the modification of working conditions and the stability of the teaching staff in the private institutions; the validity of the certificates granted to the students; the supervision of this educational supply by state organizations especially created for that purpose; and the regular allocation of subsidies. This process was supported through legal frameworks which – through national laws, presidential decrees and ministerial resolutions – established the legality and the legitimacy of "teaching freedom".

The first big landmark in this process was a law that, in 1947, systemized and institutionalized the state subsidy given to private education. This law had its formal origin in the need to compensate the private sector for the victory by the teacher's union over the settlement of salaries for teachers in government schools. During the forty years that followed its implementation, this law continued to be the reasoning stated for all other national laws relating to the private sector (and it is still in force). Up until 1947, the state contribution to private education had been sporadic and non-systematic. Obtaining state funds depended more on the "negotiation" skills and determination on the part of the private schools with the political authorities, rather than being a function of any institutionalized mechanisms of state co-financing. And since this law was issued in 1947, along with the setting of conditions and requirements by which private schools were worthy of state subsidy, other rights have been established. One important right was the right – for all staff of private educational institutions – to job stability, and to basic wages of no less than 60%

of the salary received by equivalent government staff (with equivalence based on subject major, job tasks, and seniority). However, it was only at the beginning of the 1990s, with the completion of the federalization of educational services, that more structural arguments were proposed so as to substantiate state aid for the private sector. Since 1991, it has not been necessary for private schools to argue that they could not pay equivalent wages to those in public schools.

It is important to point out that in 1964, the use of a set of guidelines that had defined "the maximum of personnel staff subsidized" (currently known as Functional Organic Staff) had been introduced as a parameter of technical efficiency for the teaching staff in private establishments. However, this criterion meant putting the assignation of posts both in state and private establishments on an equal level.

It is beyond doubt that the freedom of choice and teaching stated in the National Constitution are far more solid, structural and mandatory motives and aims than the mere difficulty to pay the equalized salary. However, although these statements were available in the National Constitution before 1991, they had not even been mentioned. In this sense, it is plausible to understand this rectification as a turning point in the rationale for subsidies to private education. Since 1991 the possibility of charging contributions "to pay the expenses of the non-subsidized structure" was introduced. By then, such structure was considered, by definition, not necessary for the educational service supply of the official plans.

The other statement put forward for the regularization and institutionalization of state subsidies in 1947 was based on the high instability of jobs for teachers in private schools. However, the sector's aggregated information shows that the number of teachers in the primary and secondary levels (although with light fluctuations) had had grown over the years prior. As a last resort, teachers could rotate among different schools (with consequent pedagogic and organizational adverse side-effects). Overall, this argument about instability does not seem to fit the empirical evidence.

Summing up, this Law could be considered as the first step towards the consolidation and later expansion of the sector. This is especially so if we take into account the deregulation range that took place in the following years.

Indeed, from the mid 1950s and the year 1960 three great events marked the deregulating process of the private sector. The first one was the removal of the final examinations from validation by an examining board for each subject of the curriculum at private high schools. Only the students that attended private institutes had to comply with this requirement, and its abolition was an important step forward for the private sector in equalizing the legal status of these establishments with their state peers. The second event was legal autonomy for private schools, as these had previously been acknowledged as public "technical-teaching administrative units", though privately managed. Both this measure and the one concerning examinations were put into practice by decree, thus violating the current laws of that moment. Finally, the third milestone of that five-year-period was the creation of the Private Teaching National Service. This established the clear institutionalization of a supervisory regime separated from that for state schools. Due to the kind of functions and the number of sections it was in charge of, this Service practically became a parallel ministry of education within the National Ministry of Education. Not only did schools achieve greater functioning autonomy, but they also achieved greater autonomy from the organizations that supervised them.

[INSERT FIGURE 1 HERE]

In summary, after the Nation State of Argentina was formed in the mid 1800s, the private education sector evolved from being initially hyper-regulated to being subject to similar regulations as the state schools (not only concerning the accreditation of secondary level titles, but also as regards financial support). In this sense, the empirical evidence turns out to be eloquent: each sign of deepening and consolidation of state equalization and attendance was followed by an expansion

of the participation of private schools across the main education sectors (as reflected in the growth in the number of students, teachers and establishments).

This empirical evidence is summarized in Figure 1. The information gathered in Morduchowicz *et al* (1999) clearly shows the constant decline in importance of the private primary level until the 1940s. From then, a constant expansion in private sector participation within the Argentinian education system began, particularly during the 1950s and 1960s. In absolute figures, in only forty years (between 1958 and 1998) the private enrollment at the primary level quadrupled (from 289,000 to 1,123,000 students). Public enrollment also increased, but at only half that rate.

As for the private secondary level, though there was growing participation throughout the century; in the 20 years following 1950 enrollment quintupled. This growth rate was even greater than that for primary schooling in the same period. The fact that this evolution did not have the same effects on the private secondary level enrollment share of the total -as the growth of the number of students in the primary level did- was due to the unprecedented expansion of the state secondary level that took place in the second half of the twentieth century (as with other countries in the region). Hence, given the increase in private demand at both educational levels, it is plausible that there is causality between the changes in regulations and the growth of the sector.

However, as usual, it is advisable to interpret the statistical data cautiously; we do not have concluding answers, but it is possible to think of various reasons for this evolution. To attribute all or a great part of the expansion of the last decades as a consequence of the private sector's resembling state schools, together with almost simultaneous deregulation, would imply that the lesser importance of private primary level schooling during the first half of the twentieth century was due to its hyper regulation. More probably, this long decline occurred because of the strong expansion in the state sector over that period; during that period, the numbers of students in

primary level state schools increased at a much higher rate than the numbers attending private establishments.

Therefore, given the fact that the expansion of the private sector began a few years before the systematic allocation of public subsidies to those schools and the big changes that took place in the 1950s as regards regulations, it could be argued that there was an initial pressure of the demand. Or, more likely, the feeling that it was possible to win over part of the enrollment, gave way to the pressure on the part of the supply itself in order to: (a) free from restrictions in order to attract more students and (b) guarantee the financial support of the sector.

Regardless of whether supply created its own demand, or if enrollments were pushing to enter the private sector, the development of regulations and the quantitative evidence are clearly simultaneous. However, once again, various questions about the possible causes of these facts arise. First, it could be asked why the State backed down the way it did: since the changes started to happen at the end of the 1940s, the possible answer may be found in the country's political history, the relationships between the government of the *Partido Justicalista* and the Church, etc. From the private sector's point of view, it could also be asked whether the changes of the second half of the twentieth century were the result of the gradual advance and recovery of the old rights that were lost during the expansion of the state school. Second, it might be even more challenging to ask about the sudden change in the demand. It may be more accurate to think that, until the middle of the century a more or less stable student body attended private schools, because of religious or cultural convictions; the subsequent leap in the growth rate would indicate a change in the composition of enrollment, due to incorporation of other groups into private schools who had not previously considered it an option. Finally, there are many other hypotheses which might explain the possible causes for such behavior on the part of the families. These range from quality improvement in the private supply to changes from state school to private school in response to being unsatisfied with

public school quality. Such historical developments have been described by Hirschman (1986) as "cycles of collective behavior", in which the private interest and the public action succeed each other in a series of pendulum swings.

In Argentina, the progressive expansion of private schooling reflects the increase in funding and support for such schools. In perspective, the dynamic response of the sector confirms the validity of the regulations as signs, as well as generating financial inducements. Thus, beyond the formal aspects, the objective of the state policies implemented in the sector, far from answering the (original) compensatory logic, placed the State in a position of leadership in generating the growth of the sector. What is more, from a strictly economic point of view, against those who argue about the supposed monopoly of the state education, we could point out that it was the same State itself that subsidized and deregulated private schools so that they could compete against state schools. Sticking to the empirical evidence, it is clear that the private sector has taken great advantage of this possibility.

3. INSTRUMENTS OF POLICY REFORM

3.1 Policy Reforms

The movement toward market mechanisms in education prompted a series of questions and research inquiries. The most predominant inquiries were those which, from different perspectives, compared the learning results across public and private schools. In turn, this raised a number of questions about what caused the differences in performance across the sectors. Apart from the discrepant results across indicators chosen for comparison (i.e., the results of the standardized learning tests or internal education efficiency rates), one of the most frequent answers is that of organizational differences. For instance, private schools have flexibility to deploy teaching staff in ways that state schools do not. Naturally, though, this is not the only answer and to consider the matter in these terms would be an over-simplification.

Yet, this situation raises another question: why do these organizational differences happen? Again, there is a wide range of possible answers to which we can direct our attention: some of the instruments that bind state action as against those influencing private schools. In general, these instruments can be grouped in three big categories (Levin, 2000): those referring to finance, to the management and functioning of private education, and to support services given to those schools.

In the following discussion, I will only review the two first instruments: the financial allocation of public resources, and the regulation of how private schools function. As far as support services is concerned, there is not much to say except that they are practically non-existent in both private schools and state schools. Within this group, Levin (2000) includes, for example, school transport and information. In brief, their absence in both sectors limits the effective exercise of choice of school for families (at least, for those that lack the necessary cultural and economic resources). This is no less important matter, since it influences not only the number of students that have access to private education (and to a certain kind of state supply) but also, if not more important, the socioeconomic and cultural composition of this demand.

3.2 Financial Allocation of Public Resources

Basic Allocation Principles

Once the process of federalization of the education service was completed in 1994, the allocation of public resources to private education became subject to the laws and jurisdictions of the Provincial States. Such allocation was therefore framed by the different education laws of the provinces and, where there are no laws, it depends on the inherited national regulations.

Naturally, the change of the educational services from the national to the provincial sphere prompted the multiplication of regulations and the criteria used to allocate resources. However, it is important to point out that there are various elements in common across the different provincial laws; and this makes aggregated analysis possible. Therefore, in all cases a set of conditions and

requirements are set for privately managed educational institutions to comply with. These are needed in order to be acknowledged as incorporated to the official teaching, and second, so that these private schools can receive a state subsidy (which in turn has to be applied to the payment of approved or non-approved teaching staff salary, according to the laws of each province).

From an analytic point of view, two stages or phases in the process of subsidies allocation can be differentiated. These phases are shared by all the provinces. Firstly, apart from administrative procedures, the process begins with the identification of the possible state subsidy beneficiary (establishment), and with the evaluation of a school's application. The establishment has to comply with a number of requirements. In general, and according to each province, the regulations tend to state, for example, that the subsidies allocation will be carried out taking into consideration "the economic characteristics both of the area and the school's population", the "socioeconomic context" of the institution, its "social function", the "qualitative and quantitative characteristics of its demand", the "kind of tuition they provide", the "establishment's necessities", the "equal, rational and efficient application of the resources", and the aim of the institute as regards profit.

Once the state subsidy beneficiary has been identified, the second step is to determine the amount of that contribution. A set of school characteristics is studied in order to determine the contribution through the state subsidy to the maintenance of teaching staff expenses at the private school. In that sense, at least in theory, it is important especially to evaluate the socioeconomic characteristics of the school's population and the amount of the fees it charges. These characteristics determine the percentage of the state's contribution. Once that percentage is established according to the teaching staff, the absolute amount arises from the application of that percentage to the cost of the salaries (calculated on the basis of the state teachers' salaries) of the Functional Organic Staff approved for that institution, which is determined similarly to those of the

state centers (i.e., based on the numbers of students, sections, educational levels provided, location (urban, rural, surrounding, mountainous, etc.) educational modality, number of shifts, working day, and the set of remunerative components related to every teacher).

There are two factors – arising because of contrasts between different provincial laws – that impact on the determination of the percentage of state subsidies. These are: (a) the absence of objective formulas or indicators to set the parameters for the subsidies to public and private schools; and (b) the inconsistency in the instrumentation and application of these allocation mechanisms. With regard to (a), it is notable how diverse the directing criteria for resource allocation are. For instance, the allocation of subsidies must take into consideration the different aspects related to the concept of equity, such as the "socioeconomic context" of the school, its "social function", the "qualitative and quantitative characteristics of its demand", etc. However, there is no law that explains what variables and parameters have to be used as indicators for the instrumentation of these criteria. Thus, the interpretation and implementation of the regulations is up to the good judgment and suitability of the authority. With regard to (b), private school fees or payments are used in all the cases as a parameter of equity to provide subsidies: the bigger the tuition fee, the smaller the subsidy. Yet, by analyzing the relationship that is established in practice between the fee amounts and the actual percentages of subvention, there appears to be no consistency between the fee and the obtained subsidy. This second discrepancy is of course favored by the gaps the regulation leaves open to the discretion of the administrator. Therefore, resource allocation, far from reacting to an efficiency and/or equity criteria (stated by law) is drawn up without much prescription. Thus, there are three crucial points that in most cases distort the social efficiency and impair equity, often voiding or going against the spirit of the law. These are: (i) the determination of the absolute amounts of the fees in relation to the minimum and maximum percentage of subventions; (ii) the (lack of) proportionality between the fee amounts and the respective

percentages of subvention; and (iii) the (in)equity in total contributions per student (i.e., the sum of the state subvention and the fee paid by the parents). Each of these three factors can be analyzed in detail.

(i) Absolute amounts of the fees

The determination of the fee amount at which the state contribution is zero, that is to say, the maximum amount beyond which the right to benefit from a State subsidy is not acknowledged, implicitly defines the dividing line between: (a) private schools that provide a similar service to the ones provided by the state; as against (b) those that provide a differentiated qualitative or quantitative kind of education, not accessible to all the socioeconomic sectors; and (c) the for-profit private establishments.

In the case of (b), the fee reflects the cost of a differentiated service in terms of quality or quantity; any subsidy would mean that state aid widens social disparities, contradicting the principles (in terms of equity of opportunities) demanded by the law. In the case of (c) the payment reflects the (legitimate) opportunity to profit, but in this case any state contribution would imply public financing of private benefits, and this would violate the distributive justice principle proclaimed by the laws in force (beginning with the National Constitution).

(ii) Proportionality

In many cases there are asymmetries between the subsidy percentages and the amount of the fees charged by establishments. In application, the effect is a negative one in terms of the equity of resource allocation.

Let's take, just to consider a case, the state subsidy assignation scale by establishment category for the province of Buenos Aires. In Table 2 we present the categorization of establishments in terms of the annual fee collected by the school and the percentage of the state subsidy given to each category. As is evident, the difference in subsidy percentages between categories A and B is, at the extreme, of –30% (that is to say, the 30 percentage points of difference

100 and 70). However, this reduction in 30% enables an increase greater than 200% in the amount of the fee that schools can charge.

[INSERT TABLE 2 HERE]

The paradox that arises by comparing the values in categories B and C is more evident. Indeed, an establishment that charges an annual fee of $469.13 would receive a subsidy equivalent to the 70% of its POF (Functional Organic Staff). If the fee were increased to $601.16, that is to say, an *increase* of 28%, then the establishment would move from Category B to C, and it would receive a subsidy of 50% of its teaching staff. This means that it would receive a subsidy percentage 28% less than the one it used to receive before the increase. So far, proportionality is respected. The paradox appears with an establishment that had a fee of $291.41, which equals the minimum established for Category B, and therefore a subsidy of 80% of its teaching staff. If that establishment decided to increase its fee to the minimum of Category C, $470.13, then it would be increasing its fee by 61%. Furthermore it would now receive a 60% subsidy, that is to say, it would get a reduction of only 25% in the percentage of the subsidy. Summing up, according to where the establishment is placed, in one or the other extreme categories, the co-variation between the percentage of subsidy and the fee may or may not be proportional.

Nevertheless, as it can be noticed, the lack of proportionality is even more pervasive. It also appears within a Category itself. Therefore, for instance, in Category B, an establishment that decided to increase its $291.41 fee to $469.13, that is to say, by a 61%, would face a decrease of the state subsidy barely more than 12%. Summing up, an establishment of Category C receives 50% of the state contribution received by another one from Category A, but the former can charge up to 400% of the amount of the fee received by the latter.

In terms of equity, the proportionality in the co-variation of the contribution and the fee is crucial. Recognizing that the State must finance public education where this is privately managed up

to its capacity, it should be checked that the more private capacity there is, the less public contribution there should be. This - in practice - means for a given increase in fees charged by a private school, there should be a more than proportional decrease in state contribution. The limit of equity is given by the proportional variations of fees and contributions, beyond which the system of allocation becomes regressive. That is to say, the formula contributes –proportionally– more to those schools that need it less and vice versa.

(iii) Total Expense per Student

Another of the asymmetries in the funding formula is evident from the total expense per student that the State co-finances by means of the subsidy. In this respect, the Provincial States usually *segregates* in a way that is opposed to what the laws and decrees suggest when they make reference to concepts such as "distributive justice", "social justice", "fair application of the resources", etc.

Table 3 helps to illustrate the situation. It presents, as an example in the province of Buenos Aires[2], calculations based on the application of categorizations of establishments for a hypothetical course that it is representative of the situation across most jurisdictions. The calculations come up from applying the laws to the example of a course of 30 students under the lead of one teacher with a salary of $500.

[INSERT TABLE 3 HERE]

It is not even necessary to adopt any judgement with regard the way in which the concepts of "distributive justice", "fair application of the resources", etc, should be reflected in the allocation of subsidies. The example in Table 3 shows that, even though the State contributes with a subsidy per student that decreases as the fee increases, the relationship between the different values of both variables is contradictory: from *Category A* to *B Minimum,* there is an increase in the fee by 92%,

[2] In Morduchowicz *et al* (1999) cases from other provinces are presented together with the proposals inconsistent with the respective legal reform.

whereas the subsidy per student decreases only by 25%. A similar situation appears in the rest of the categories.

In short, the scale becomes alternatively regressive and progressive with oscillating magnitudes. Yet at the same time, and as a consequence of the previous points, the State co-finances a greater income per student in the establishments that have higher fees, leaving the private establishments serving the lower categories (lower socio-economic sectors) in an unfavorable position. Moreover, even adopting a less desirable alternative, the total resource endowment per student is not equaled.

Although a possible argument could be that those who really make the difference are the parents of the students from the higher category establishments who pay a higher fee, it is also true that the State is contributing to the co-financing of this "inequality" with public funds. From the point of view of efficiency and equity, the public resources invested for that purpose will have a much smaller cost/benefit or cost/outcome relationship to that obtained from use in establishments that provide education to less affluent socioeconomic populations. To put this more directly, given the existence of a budget restriction that cannot assist all the necessities, the State has the obligation of applying the limited resources in order to assist equity and equality of opportunities defined by society and established in the current laws, as well as by the National Constitution.

Summing up, on the whole there are no clear and equitable mechanisms for subsidy allocation to the different establishments: neither as regards the fee supplied by the parents, nor as regards the equalization of the total expense per student. And, by definition, such an instrument is arbitrary and (regressively) segregating.

3.3 Regulations on Private Schools

In Argentina, educational services under private management – whether or not they are

subsidized by the State – are determined by the prior recognition and the supervision of the official educational authorities. According to the Federal Law of Education and the different provincial laws, agents that have the right to provide service are the Catholic Church and other religions registered by the 'National Register of Cults' (associations, foundations and other entities with legal capacity).

Such agents have the right to create, organize and support schools. However, they are obliged to comply with the regulations set as education policy, they have to offer educational services that satisfy the needs of the community, be able to provide any other type of auxiliary service, and give all necessary information for the pedagogical, accounting and working control carried out by the State.

The provinces recognize the validity of the studies and the certificates issued by these establishments, even those which adopt and develop plans of their own (as long as they include the minimum contents that are valid for the state educational services). Private schools also face many regulations as regards building conditions, the requirements for opening and functioning, etc. However, as far as pedagogic activity is concerned, they have a certain freedom to design their educational project and its implementation, and this is a historical artifact. With the process of federalization which made schools move from the jurisdiction of National State to the provinces, they were able to keep their institutional profiles even more distinct. The former National State schools, on the other hand, had to be adjusted to the regulations of the provincial educational policies.

So, private schools have more freedom to design an educational supply that satisfies demand, and at the same time, to select the teachers who will carry out the project with the school's ideology as a starting point. The ideology is stated through a set of principles that represent the framework from which the center will create the educational project. However, such a project has to be framed

within the curricula regulations. The ideology identifies the educational project of a private school, in respect of its pedagogy, subject mix offered, and specific sequence of educational programs. In this last group we can mention the way in which private schools structure the schedules and their space, and the school history or tradition. Therefore, it is possible to distinguish "institutional profiles", such as: schools that emphasize a sporting ethos or the expressive possibilities of the students.

Moreover, as opposed to the state schools, that are forced to employ the teacher that chose them, private schools usually select their teachers according to the institutional profile of the establishment. According to the testimonies of Morduchowicz *et al* (1999), generally the managers of private schools hire the teachers that best suit the institutional project, sometimes based on the recommendation of other colleagues that are already inside the system. Furthermore, the owners can determine the salary composition through additional payments (even though the basic salary and the increments seniority are the same as for state teachers). For instance, private schools decide whether or not to deduct the sick leave and they work out other ways of compensation (institutional seniority, etc.) that their state peers cannot or do not. That is why, in some schools the salaries are higher than those for teachers who undertake the same functions in the public sector. That "extra pay" varies according to the school: in some cases it is within the salary; in others it is obtained as bonus in recognition for not being absent; in others as a percentage of the fee income, etc. However, even applying the same kind of increment, each school imposes their own set of rules. For instance, across two establishments that give an extra pay for perfect attendance, one may not take into account the justified absence for illness and the other can deduct the proportional percentage. In each case, the conditions depend on the private contract that the school settles with the teachers. Therefore, different situations occur in practice.

Nominally the current regulation for private school teachers is similar to that for their state peers. However, in practice, private schools rarely grant non-paid leave for personal reasons or paid leave for training courses. A teacher's absence is perceived as prejudicial for the establishment, both in terms of pedagogy and finances; so therefore the general policy is to avoid these absences. (Again, the system of absence controls and justification also depends on each school. Some schools demand a medical certificate issued by the social service doctor who assisted the patient; in other cases the teacher justifies him/herself by means of a sworn statement). When non-subsidized teachers apply for leave, it is the legal representative of the school who is in charge of requesting the corespondent certificates. As in the case of subsidized teachers, the legal representative adjudicates, filing the documentation for the school.

As for the students, private schools can determine admission rules. This is established as one of the functions of the Legal Representative (for example, in the province of Buenos Aires), even though in practice this may not be followed. Legal Representatives can also choose the name for the institute, having only the restriction that the name cannot be expressed in a foreign language, except for the names of historical people known worldwide. In state schools, in contrast, the names of schools are "imposed". However (again) in Buenos Aires for example, even though since 1985 there have been instances of participation by the local school community, the final decision is taken by the General Committee of Education.

As for the state branch offices such as technical and administrative organizations that are in charge of the schools' supervision, they have an specific internal structure that sometimes is similar to a *mini* Ministry of Education within the Ministries of Education themselves; the resolutions and other regulations that derive from them are independent, in many cases, of the regulations destined to the state schools. But the regulations within the sector are not uniform. Non-subsidized private schools have more freedom in the schooling micro policies: they can adjust the winter break and the

end of the school year according to their necessities. They can use the school building in different days and schedules than the regular school week merely by informing the owner of the school; it is not required for them to use the full mechanisms of schooling bureaucracy. However, these institutions need to be authorized by the Ministry of Education in order to comply with the opening procedures, as it is the case in the province of Buenos Aires. In other cases -and whether or not they receive state subsidies- private schools can be authorized by minor hierarchy branch offices such as the Office of Privately Managed Education. This is the case for the private catholic schools in the province of Buenos Aires.

In general, teachers across the sectors have the same duties, they have to adjust to the same incompatibilities, and they have the same rights established for the staff of the state establishments as long as they are compatible with the nature of the private management contract, obligations and rights stated in the current labor legislation. Work stability has to be linked to the same factors that are stated in the Teacher Statute, that is to say that the teachers have the right to stability as long as they follow a behavior that does not affect the functioning and the teaching ethics, and maintain professional efficiency and the necessary psycho-physical standards of performance. In case of dismissal by causes that are not stated, it is necessary to use the laws in force that correspond to the private employment relationship.

It is important to point out that schools with 100% of state subsidy that do not charge any fee are practically in the same situation as the state schools: they do not have any means to pay for the best teachers, nor to dismiss the ones that are not suitable for the establishment profile. However, they do have the flexibility to select and hire their staff.

A professional career within the private sector is developed on the basis of a portfolio or performance book. This performance book is the only evaluation in the private sector. The headmaster registers the criticisms he/she may have when they visit the class, as well as the

outstanding performances of the teachers and their personal and professional conditions. Some directors have emphasized the importance of this "portfolio concept" in the labor market of the private institutes. A teacher with a good portfolio can easily apply for other posts in other establishments. A weak portfolio may preclude employment at a high quality private school. In the private sector, there are promotions as on a few occasions a teacher can become part of the establishment directorship where he/she has spent a fairly long time performing his/her duties.

In general, in the case of the closure of a private school, or the reduction of the courses or levels, the dismissals are undertaken based on seniority. In this case teachers get the corresponding compensation and staff are not "redistributed or relocated" into other schools with similar characteristics.

Private schools teachers have no obligation to participate in the courses that the provincial ministries of education organize or give. However, even though in the private sector there are no scores to be accumulated as regards their professional career within the sector, the teachers -apart from the courses they take at their own will – typically participate in training activities that the school selects. In many cases these activities are given in centers, universities or private institutes and are, therefore, paid for. The school is not always in charge of paying the expenses: in many cases each teacher does. Even though private schools receive information on the courses offered by the state sector, it is up to each teacher whether to attend or not. However, private schools "define and organize" in their daily routine their own supply of teacher training, organize seminars and courses according to the subjects the teachers and managers themselves consider relevant and appropriate. This is another element of the organizational flexibility and especially of the financial resource flexibility that private schools have.

Summing up, the analysis of the laws that regulate private schools provides evidence of their possibilities over freedom of action. Clearly, to approach the study of the education system

structure only from the legal point of view is insufficient. Future investigations should investigate the way in which such regulations are applied in the daily routine of the schools. This is important because, for example, it is different to observe autonomous or freely different behaviors than it is to find out that the State allows such behaviors or promotes them. A few decades ago, we would very likely have argued that if private schools did have any kind of privilege over their state peers, this would have to be eliminated. As a sign of the changes, nowadays we argue that if some of those explicitly regulated privileges, such as the freedom deploying teaching staff, result in better quality education or at least they do not cause any kind of damage, it would be right to encourage them throughout all establishments and not just limit to only a few. This is the distinction between the actual implementation of legislation and the stated regulations.

4. EVALUATION OF PRIVATIZATION REFORM IN ARGENTINA

4.1 Evaluative Criteria

Interest in the study of private education has its origins in the market reforms applied to schools. As in many other debates, the sequence from which this issue was triggered as a general idea, followed by a hotly rhetorical argument in which the absence of empirical evidence was highlighted. Later on, when evidence started to appear, it turned out to be contradictory: from each side it was possible to show outcomes that supported completely opposite positions (sometimes even on the basis of the same information). Curiously, the more quantitative the studies, the more ideological features they acquired, e.g. work being developed only where it supported the authors' points of view (see Morduchowicz, 2000).

Levin (2000) argues that it is not straightforward to conclude whether state or market systems work better: quoting the author, this conclusion seems to depend "on the priorities or preferences of particular audiences for particular outcomes". As regards this lack of agreement, Levin (2000) suggests a schema of analysis of the existent proposals and experiences so as to arrange

the discussion within a common framework. Such a schema is based on the consequences of an education reform across four dimensions: efficiency, equity, freedom of choice and social cohesion.

For these criteria, none is clearly more important than another. Furthermore, focusing attention on some of these criteria without considering the effects on the others is essentially the source of many disagreements. Such narrow focus could also explain why the same quantitative evidence can be used to arrive at such differing conclusions (Lævin, 2000; McEwan, 2000a). These differences are not so much a reflection of different value systems, but rather that educational policies or the proposals for reform can lead to tensions between the different criteria. For instance, the conflict between the efficiency and equity dimensions is typical: a policy that emphasizes the first dimension can have a negative impact on the second one (and vice versa). Similarly, the expansion of freedom of choice could affect social cohesion (McEwan, 2000a). This shows that the most advisable course of action is the consideration and empirical analysis of each of the dimensions. Therefore, I will briefly review the available evidence across each dimension, with relation to the development of private schooling in Argentina.

4.2 Efficiency

From a micro-analytic perspective, those who promote a market system of resource allocation argue that private schools or the systems of subsidy that reflect demand are more likely to produce better results than their state peers. Briefly, the competition to win students and the incentives that such competition promotes in order to obtain more resources forces schools to improve the quality of their service. This dimension has been analyzed most over recent years with empirical data. For Argentina, there is available information and analysis about repetition rates and results in standardized tests. Unfortunately, there is no cross-sector comparative analysis of cost-effectiveness for these measures.

Repetition Rates

In Argentina there is a very wide difference between repetition rates across state and private schools, with the latter having much lower repetition. In the private primary level, the percentage of repetition is little more than 1% (in the state sector it is 6.2%). The highest percentage of repetition occurs in first grade and decreases in higher levels, with clear differences between students in different provinces. So, the repetition rate in the private secondary level is 3.6% and in the public sector is 10.5%. However, the interpretation and the analysis of the statistics must be done carefully. The lower repetition rates of the private schools may reflect two facts: (a) these private establishments do not encourage the re-enrollment of students who failed to reach the academic standards of that year, whereas public schools cannot do this, and indeed cannot forbid children to re-enroll; and (b) parents usually transfer their children to another school if the private school does not satisfy their expectations. Probably, these facts help explain the association found by McEwan (2000b) between attendance at private school and the low probability of repeating a grade or year of study.

Moreover, differences between private and public schools are less evident when other indicators of education performance are used (such as outcomes in standardized tests, discussed below). Thus, repetition rates are indicators that, when observed in isolation, constitute an incomplete vision of internal schooling efficiency. However, repetition rates are in some sense inevitable or unavoidable indicators in the analysis of schools, because these rates are so high.

Learning Test Outcomes

At primary level, the results of standardized learning tests in private schools are better than the ones obtained in the state schools; this is the case in each of the provinces, except for Chubut, where the results in public schools are slightly higher than in the private sector. Furthermore, at secondary level, the private sector shows better results than in the state sector in all the provinces. Differences also persist in favor of students that attend privately managed middle schools.

However, in more than a half of all the provinces, the results in private schools are below the best results within the state sector in the city of Buenos Aires. So lower schooling achievement is not endemic to the state sector.

McEwan (2000b) discovered that the subsidized catholic schools have better outcomes than their state peers. However, the author ascribes these results more to the characteristics of this kind of schools -for example, objectives based on their religious orientation- than to their status of being private schools. When Llach *et al.* (1999) compare the results of learning tests of students from different socioeconomic levels and across different educational levels, they find that the gap between private and state schools gets higher with increases in socioeconomic status (or the education levels of the parents). McEwan (2000b) confirms this situation for the non-religious subsidized schools: results are better, but the socioeconomic level of the families to which these students belong is also higher.

4.3 Equity

As regards equity, those who can choose and finance their education on their own, obtain better results than those who attend free public schools. Therefore, here I will concentrate on who can access to one or another kind of education.

Just over half of the private enrollment is from families in the highest three quintiles of income. The biggest share in the enrollment of the private sector in relation to the total is found in the families with higher income per capita. From the total of the students belonging to these families, half of them study at private non-university level institutions, whereas only 8.1% of the lowest income quintile attends private school.

At the primary level the share of the private enrollment increases along with levels of income per capita, going from 7.5% (lowest quintile) to 63.9% (highest quintile). So, for every student with a lower income family background that studies in the private sector, there are nine students

attending these establishments that belong to higher income strata. Similar disparities are evident in the secondary schools.

[INSERT TABLE 4 HERE]

A priori, there seems to be a co-relationship between the level of education achieved by the parents and expenditures on private education. Therefore, the parents that did not finish the primary level or never attended school only devote a percentage of less than 1% of their total expense to their children's education in private institutions. This share is 4.5 times smaller that than of families whose parents have completed their university education. However, Narodowski and Nores (2000) support the empirical evidence found in Morduchowicz *et al* (1999) by showing that: a) private education in Argentina is typically an urban phenomenon; and b) public supply is highly correlated to districts with high levels of Unsatisfied Basic Needs. These authors show that in districts with high buying power, such as San Isidro and Vicente Lopez (both in the province of Buenos Aires), almost three students out of four attend private establishments.

This information refutes the myth about local education, namely that, historically, private education might be available for sectors or areas (such as rural ones) in which there is little state presence. However, there has been information to corroborate this point for quite a long time (on South America, see Tedesco, 1992). More generally, once again this should raise the discussion about the contributive capacity of the parents who send their children to subsidized schools, and about the equity of the present distribution of public resources among private schools (particularly in the light of the discussion of the formulas to determine the state assistance to these schools).

4.3 Freedom of Choice

The debate about the freedom of teaching took place in Argentina more than 100 years ago. As we saw, at present, after the changes in the regulations during the twentieth century, but also keeping the spirit of what was agreed in the origins of the conformation of the Argentine Education

System, the provinces recognize the studies and certificates that private schools provide. This recognition extends even to those establishments which adopt and develop their own plans (as long as they incorporate the minimum current contents of the state education and stick to the general outline of the education policy).

Now the discussion about freedom of choice in the country is restricted to the subject of "open enrollment". In fact, in Argentina, parents have the possibility to choose among state or privately managed schools (and if the latter are not free, they can choose them provided they have the means to pay for them), or among the state schools within the geographical limits set by the educational authorities. But free choice with no restriction is still not possible in some provinces.

Often, local education analysts talk about equity in order to prevent such restrictions on choice from being lifted, even though its real origin is due to the flaws there are in the management of the school vacancies. So, for instance, in the City of Buenos Aires, the school code states that ten days after the initiation of the enrollment, children from other districts can be admitted if there are still vacancies. In the case of families with residences in other provinces who wish and need to enroll their children in schools of the City of Buenos Aires, they only need to have a work address within the school limits. In all cases parents have to enclose a correspondence address as proof.

In some educational environments there is still resistance as regards these choices. This is despite the fact that it is usually unknown that the constitutions and laws themselves, national and provincial, do guarantee this right to choice. However, the right that parents have may not be derived from what is established by the provincial laws of Argentina. Firstly, the enrollment of some students in the private schools has no restrictions of any kind, at least from the legal point of view. Secondly, even though this right of the parents is established in the different provincial laws of education, it is limited by other regulations. The emblematic case would be the one of the City of Buenos Aires, which still has no educational law and the schools are ruled -in practice- by the

municipal laws. There, the requirement to enroll a school is to live within a ten block radius and each school has to show a map that corresponds to their catchment area. At the same time, as regards the enrollment, priority is given to the students that have a registered address in the City of Buenos Aires within the above mentioned radius. For the secondary level in the Province of Buenos Aires and in the City of Buenos Aires, the vacancy distribution system is determined by the Direction of the establishment that gives priority, in the distribution, to a percentage according to the school's catchment. That is to say, parents have to choose the state establishment to which they have to send their children according to the proximity to their home. However, in practice there are transgressions to this rule, because many parents gain access to specific schools (e.g. they change their home address before enrollment to one of their relatives or friends). Another restriction on entry occurs where some schools ask for the applicants' school reports before admitting them, and so ensuring attendance of the "best" students. In most cases, this strategy is implemented because it is supported by the head of the school, who is the person in charge of the enrollment.

Summing up, the freedom of choice both in state and private schools, such as it is stated in the National Constitution, is only available to some; typically those with the cultural and/or economic resources to exploit this advantage.

4.4 Social Cohesion

On this dimension – social cohesion – there is a complete lack of empirical evidence. Nevertheless, some considerations are worth noting. First, sticking to the regulations that rule the functioning of the education system of Argentina, homogeneity in supply has prevailed due to historical reasons that have their roots in the conformation of the National State itself. Yet, there is no evidence or perception that private schools provide a service that does not follow the main characteristics of the shared experiences that students of a democratic society must have: curriculum, language and political socialization (information, attitudes, values and participation).

The definition of freedom of teaching identified at the end of the nineteenth century has shaped these characteristics.

Rather, the risks of the social cohesion arise from: a) isolation of those who have access to and receive private education and, b) the possibilities of an educational supply which is closer to the interests and needs of the school population. In that sense, the socioeconomic segregation due to the expansion of private establishments during the last decades could have a negative impact on social cohesion in the future, increasing differences across the system. This is especially likely because of the possibilities -that the regulations themselves grant to the private system - of generating pedagogic options that public schools are not allowed. Some local education analysts have started, during the last few years, to give a warning of the dangers of such fragmentation.

In this sense, what seems to be very emblematic and illustrative is the surprise that has recently been caused by the news (*La Nacion*, April 15, 2001) of the opening of 41 private establishments, in only five years, in private neighborhoods (with a population of high buying power) in the province of Buenos Aires. This also raised many warnings about the possible and gradual loss of socialization that school are supposed to provide. This is especially important if it is taken into consideration that the school age population that attends those educational establishments not only belongs to the more privileged economic sectors, and also because these children then develop a culture limited to the homogeneity of the social group to which they belong.

Now, with the growth of the private supply, from the point of view of educational policy and the actions that should derive from it, the question that remains is not only about the risks of the future but also about where the State was while these neighborhoods were expanding, yet doing so without adequate schools. If we agree that heterogeneity within schools is still a positive and desirable value in a democratic society, there are important questions about the quantity and quality of the service needed to attract back those families who, over recent decades, have been quitting

public schools. As with many of the issues in the privatization of education, when the behavior and evolution of the sector is studied, what are being analyzed (and judged) are neither private schools nor the people who send their children to them, but the behavior and the role of the State itself.

5. CONCLUSION

After a little more than half a century since its institutional birth, the state subsidy system for the private education sector seems to have proved quite effective in terms of the growing participation of private schools in supplying education. However, as far as the equity and efficiency of the re-allocated public resources are concerned, such subsidy introduced inequities in offering greater financing for the privileged social sectors. Yet, in Argentina the state subsidy to private education is not under discussion: the debate about teaching freedom was verified over a hundred years ago; and the financial and steady assistance to private schools was institutionalized over more than fifty years ago. Very few would challenge its existence and continuity. Nevertheless, the economic rationality with which such aid functions and the way the designed formulas can go against the objectives of equity (and sometimes of efficiency) in education financing, deserves serious discussion. In the 1990s, some provincial States did start to develop a series of studies with the aim of correcting such mechanisms of resources allocation and to re-set the technical basis for a clear and objective allocation of resources. These studies – and the proposals that were carried out – did identify the aspects that needed to be modified, but in the main they failed to provide new alternatives. Furthermore, educational federalization, far from taking advantage of local service supply (with less bureaucratization and closer control of resource use), did not compensate for these equity and efficiency limitations either.

So, from the point of view of the expansion of the private sector during the last half-century in Argentina, we could conclude that the creation of this quasi-marketplace has been effective, at least in terms of increases in private sector enrollments over those who used to attend (or would

have attended) state schools. However, even though they are not perfect, the market mechanisms have not been effective enough to make state schools react to the exit of their students. There may probably be a lack of proper explanations (or solutions?) because, as Hirschman (1970) points out, conventional economic theory explains why low quality companies and other organizations suffer, but does not explain or show how they can recover to become high quality. However, it is a legitimate question whether the present quality difference between private and public schools is a sufficient advantage of the educational quasi-market created in Argentina.

In what ways the relationships between the State and the local private educational sector affects the four dimensions of Levin's criteria is an issue to be debated in the future. Presently, the system in Argentina does not have equality in terms of access to private schools; it only allows freedom of choice to those who have access to information and the means (especially financial) to choose the school that is best to their liking. The system could easily have a negative impact on social cohesion, and it is only efficient in terms of the restricted measure of learning test outcomes for those who attend such private schools.

In the meantime, the present state of affairs only makes it possible to say that neither an extreme public centralization nor a complete market liberalization seem to offer the right answers for any necessary improvement in the education's equity, efficiency and quality. Given the general dissatisfaction with quality, it could be argued that the current mixed provision of education in Argentina has resulted in a system with both the flaws of the market and of the State, with few of the benefits of either ways of service supply. In part, the state regulations that outline school codes and create asymmetries between private and public sectors may exacerbate this situation. This is despite the fact that these regulations should promote the sector and attenuate the damage of either pure market or fully statist education systems.

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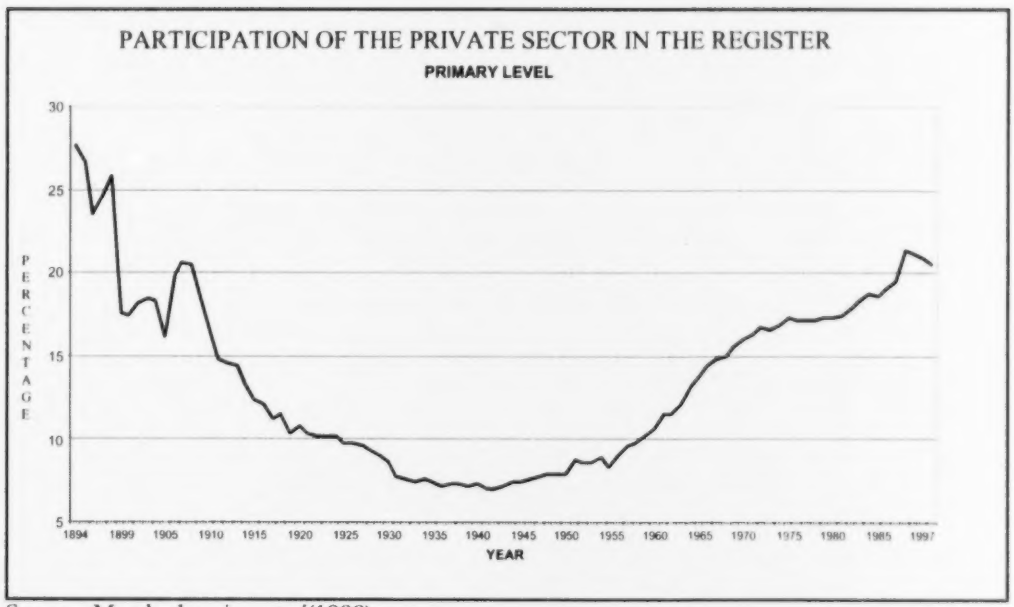
TABLE 1
Private Education in Argentina

	State	Private
Enrollment per level of study (1998, by %)		
Total non university	75.3	24.7
Pre-primary	71.1	28.9
Primary	78.9	21.1
Secondary	72.0	28.0
Tertiary (non-university)	60.8	39.2
Average students/institution per level (1998, by units)		
Primary	221	304
Secondary	516	251
Enrollment in catholic institutions in relation to the total of the private sector per level (in 1996, by %)		
Primary	-------	62.9
Secondary	-------	55.4
Resources per student by level of study (in 1996, by $)		
Primary	1,112.3	1,219.1
Secondary	1,464.1	1,731.4

Source: Morduchowicz *et al* (1999).

FIGURE 1



Source: Morduchowicz *et al* (1999)

TABLE 2
State Subsidy by Establishment according to Category.
Province of Buenos Aires.

Category According to subsidy	Percentage of subsidy	Initial - Primary	
		Annual Fee in $	
		Maximum	Minimum
A	100%	152.17	–
B	70–80%	469.13	291.41
C	50–60%	601.16	470.13
D	20-40%	792.91	602.16

Source: Resolution 3.538/92, D.G.C. y E., Province of Buenos Aires.

TABLE 3
Example: Subsidy, Fees, Incomes and Expense by Student.

Category	Annual Fee $	Subsidy %	Annual Subsidy $ (1)	Annual Income per Fees $ (2)	Total Annual Income $ (3)	Total Income per Student $ (4)	Subsidy per Student $ (5)
A	152.17	100	6,500	4,565.1	11,065.1	368.8	216.7
B Min	291.41	80	5,200	8,742.3	13,942.3	464.7	173.3
B Max	469.13	70	4,550	14,073.9	18,623.9	620.8	151.7
C Min	470.13	60	3,900	14,103.9	18,003.9	600.1	130.0
C Max	601.16	50	3,250	18,034.8	21,284.8	709.5	108.3
D Min	602.16	40	2,600	18,064.8	20,664.8	688.8	86.7
D Max	792.91	20	1,300	23,787.3	25,087.3	836.2	43.3

Note: (1)=$500*13*(1 to 0.2, according to category); (2)=$152.13*30; (3)=(1)+(2); (4)=(3)/30; (5)=(1)/30.

Source: Morduchowicz *et al* (1999).

TABLE 4
Access to private education. Private enrollment share according to the total of students of each quintile of income (1996 by %)

Educational Level	Quintile of Income					
	I	II	III	IV	V	Total
Primary	7.5	18.8	33.6	45.1	63.9	22.2
Secondary	10.2	15.4	27.8	35.6	58.8	25.2

Source: Self elaboration based on the information provided by SIEMPRO.